

Township of Holly

Holly, Michigan

Financial Statements

For the Year Ended
June 30, 2004



REHMANN ROBSON

Certified Public Accountants

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

REVISED

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Holly Township		County Oakland	
Audit Date June 30, 2004		Opinion Date November 30, 2004		Date Accountant Report Submitted to State: January 27, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

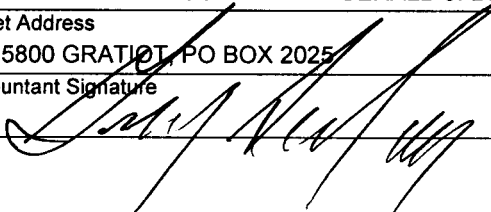
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

TOWNSHIP OF HOLLY

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 30, 2004

To the Township Board
Township of Holly
Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Township of Holly, Michigan**, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Township of Holly, Michigan's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Township of Holly, Michigan**, as of June 30, 2004, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major funds, for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Township has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2004, on our consideration of the **Township of Holly, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TOWNSHIP OF HOLLY
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,442,784
Due from other governments	126,581
Prepaid items	85,338
Nondepreciable capital assets	397,336
Depreciable capital assets, net	<u>317,477</u>
 Total assets	2,369,516
Liabilities	
Accounts payable	<u>48,467</u>
Net Assets	
Invested in capital assets	714,813
Unrestricted	<u>1,606,236</u>
 Total net assets	<u>\$ 2,321,049</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 481,716	\$ 51,476	\$ 7,948	\$ -	\$ (422,292)
Public safety	280,619	-	-	-	(280,619)
Public works	63,795	-	-	-	(63,795)
Community development	260,268	315,312	10,466	15,000	80,510
Recreation and cultural	509,945	127,176	78,522	5,000	(299,247)
Total primary government	<u>\$ 1,596,343</u>	<u>\$ 493,964</u>	<u>\$ 96,936</u>	<u>\$ 20,000</u>	\$ (985,443)
 General revenues:					
Property taxes					1,012,066
State shared revenue					267,673
Unrestricted investment earnings					<u>11,403</u>
Total general revenues					<u>1,291,142</u>
Change in net assets					305,699
Net assets, beginning of year, as restated					<u>2,015,350</u>
Net assets, end of year					<u>\$ 2,321,049</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

ASSETS	General	Fire and Emergency	Park	Building Department	Library	Capital Projects Fund	Total
Cash and cash equivalents	\$ 383,948	\$ 291,434	\$ 165,812	\$ 98,709	\$ 431,634	\$ 71,247	\$ 1,442,784
Due from other governments	94,444	-			32,137	-	126,581
Prepaid items	79,516	39	1,446	3,898	439	-	85,338
TOTAL ASSETS	\$ 557,908	\$ 291,473	\$ 167,258	\$ 102,607	\$ 464,210	\$ 71,247	\$ 1,654,703
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 14,036	\$ -	\$ 728	\$ 19,408	\$ 14,295	\$ -	\$ 48,467
FUND BALANCES							
Unreserved							
Undesignated	543,872	291,473	166,530	83,199	449,915	71,247	1,606,236
TOTAL LIABILITIES AND FUND BALANCES	\$ 557,908	\$ 291,473	\$ 167,258	\$ 102,607	\$ 464,210	\$ 71,247	\$ 1,654,703

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Fund balances - total governmental funds	\$ 1,606,236
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	1,941,078
Deduct - accumulated depreciation	<u>(1,226,265)</u>

Net assets of governmental activities	<u>\$ 2,321,049</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Fire and Emergency	Park	Building Department	Library	Capital Projects Fund	Total
REVENUES							
Taxes	\$ 354,837	\$ 273,855	\$ 127,782	\$ -	\$ 255,592	\$ -	\$ 1,012,066
Licenses and permits	25,788	-	-	-	-	-	25,788
Intergovernmental	278,139	-	5,000	-	32,456	-	315,595
Charges for services	25,688	-	87,822	315,312	7,209	-	436,031
Interest	5,651	674	1,092	488	3,319	179	11,403
Fines	-	-	-	-	32,145	-	32,145
Other	7,948	-	990	-	45,076	15,000	69,014
TOTAL REVENUES	698,051	274,529	222,686	315,800	375,797	15,179	1,902,042
EXPENDITURES							
General government	476,856	-	-	-	-	-	476,856
Public safety	-	280,619	-	-	-	-	280,619
Public works	59,476	-	-	-	-	-	59,476
Community development	9,121	-	-	251,147	-	-	260,268
Recreation and cultural	-	-	203,341	-	293,216	-	496,557
Capital outlay	12,904	-	-	-	6,637	-	19,541
TOTAL EXPENDITURES	558,357	280,619	203,341	251,147	299,853	-	1,593,317
REVENUES OVER (UNDER) EXPENDITURES	139,694	(6,090)	19,345	64,653	75,944	15,179	308,725
Other financing sources (uses)							
Transfers in	-	90,000	-	-	-	50,000	140,000
Transfers out	(140,000)	-	-	-	-	-	(140,000)
Total other financing sources (uses)	(140,000)	90,000	-	-	-	50,000	-
NET CHANGE IN FUND BALANCES	(306)	83,910	19,345	64,653	75,944	65,179	308,725
FUND BALANCES, BEGINNING OF YEAR	544,178	207,563	147,185	18,546	373,971	6,068	1,297,511
FUND BALANCES, END OF YEAR	\$ 543,872	\$ 291,473	\$ 166,530	\$ 83,199	\$ 449,915	\$ 71,247	\$ 1,606,236

TOWNSHIP OF HOLLY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ 308,725

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	19,541
Deduct - depreciation expense	<u>(22,567)</u>

Change in net assets of governmental activities	<u>\$ 305,699</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes:				
Current property taxes	\$ 263,182	\$ 267,702	\$ 268,504	\$ 802
Penalties and interest	691	691	4,593	3,902
Mobile home fees	1,200	1,200	743	(457)
School collection	7,500	7,500	6,966	(534)
Administrative fee	79,000	79,000	74,031	(4,969)
Total taxes	<u>351,573</u>	<u>356,093</u>	<u>354,837</u>	<u>(1,256)</u>
Licenses and permits:				
Animal licenses	400	400	705	305
Franchise fees	17,000	19,837	25,083	5,246
Total licenses and permits	<u>17,400</u>	<u>20,237</u>	<u>25,788</u>	<u>5,551</u>
Intergovernmental revenues:				
Community development grant	36,530	36,530	10,466	(26,064)
State revenue sharing	284,040	272,040	267,673	(4,367)
Total intergovernmental revenue	<u>320,570</u>	<u>308,570</u>	<u>278,139</u>	<u>(30,431)</u>
Charges for services:				
Planning commission	15,000	15,000	11,754	(3,246)
Zoning fees	4,500	4,500	3,500	(1,000)
Mining fees	4,000	6,534	6,534	-
Rental income	11,400	8,400	3,900	(4,500)
Total charges for services	<u>34,900</u>	<u>34,434</u>	<u>25,688</u>	<u>(8,746)</u>
Interest	<u>6,880</u>	<u>6,880</u>	<u>5,651</u>	<u>(1,229)</u>
Other revenues:				
Printed materials	1,100	1,100	1,160	60
Other	500	7,000	6,788	(212)
Total other revenues	<u>1,600</u>	<u>8,100</u>	<u>7,948</u>	<u>(152)</u>
Total revenues	<u>732,923</u>	<u>734,314</u>	<u>698,051</u>	<u>(36,263)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE (Continued)

AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total revenues (pg. 8)	\$ 732,923	\$ 734,314	\$ 698,051	\$ (36,263)
Total expenditures (pg. 11)	<u>(582,923)</u>	<u>(594,314)</u>	<u>(558,357)</u>	<u>35,957</u>
Revenues over expenditures	150,000	140,000	139,694	(306)
Other financing sources (uses)				
Transfers out	<u>(150,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balances	-	-	(306)	(306)
Fund balance, beginning of year	<u>544,178</u>	<u>544,178</u>	<u>544,178</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 544,178</u></u>	<u><u>\$ 544,178</u></u>	<u><u>\$ 543,872</u></u>	<u><u>\$ (306)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
GENERAL FUND
SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Township Board:				
Salaries	\$ 5,000	\$ 5,000	\$ 5,150	\$ (150)
Dues and subscriptions	500	500	72	428
Mileage	100	100	-	100
Total township board	<u>5,600</u>	<u>5,600</u>	<u>5,222</u>	<u>378</u>
Supervisor:				
Salary	23,000	23,000	23,000	-
Dues and subscriptions	400	400	85	315
Mileage	400	400	123	277
Total supervisor	<u>23,800</u>	<u>23,800</u>	<u>23,208</u>	<u>592</u>
Elections:				
Salaries	6,000	-	-	-
Supplies	8,000	2,000	1,533	467
Total elections	<u>14,000</u>	<u>2,000</u>	<u>1,533</u>	<u>467</u>
Assessor:				
Contracted services	<u>43,800</u>	<u>43,800</u>	<u>43,800</u>	<u>-</u>
Clerk:				
Salary	41,600	41,600	41,600	-
Deputy clerk salary	25,000	13,500	12,987	513
Dues and subscriptions	1,200	1,200	1,001	199
Mileage	400	400	379	21
Miscellaneous	400	400	-	400
Total clerk	<u>68,600</u>	<u>57,100</u>	<u>55,967</u>	<u>1,133</u>
Board of review	<u>1,400</u>	<u>1,400</u>	<u>413</u>	<u>987</u>
Treasurer:				
Salary	41,600	41,600	41,600	-
Deputy treasurer salary	25,000	8,000	6,636	1,364
Dues and subscriptions	1,200	700	162	538
Mileage	400	400	48	352
Miscellaneous	400	400	-	400
Total treasurer	<u>68,600</u>	<u>51,100</u>	<u>48,446</u>	<u>2,654</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
GENERAL FUND
SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Town Hall:				
Telephone	\$ 2,800	\$ 4,800	\$ 4,445	\$ 355
Utilities	7,693	9,693	9,176	517
Maintenance and repairs	5,000	19,520	20,008	(488)
Total town hall	15,493	34,013	33,629	384
General Services:				
Payroll taxes	11,000	11,000	10,713	287
Pension cost	12,500	12,500	12,540	(40)
Health/life insurance	25,000	34,500	31,280	3,220
Office expenditures	20,000	34,050	35,506	(1,456)
Accountant fees	7,425	3,375	3,375	-
Contracted services	1,200	1,700	1,565	135
Attorney	35,000	28,000	28,935	(935)
Computer maintenance	3,000	14,000	24,777	(10,777)
Pension administration	2,500	4,000	4,078	(78)
Ordinance codification	3,500	3,000	3,000	-
Dues and subscriptions	5,000	5,000	4,526	474
Legal notices	12,000	8,000	9,349	(1,349)
Insurance	10,000	6,200	6,129	71
Youth assistance	2,625	2,625	2,625	-
Miscellaneous	600	20,800	20,721	79
Capital outlay	23,000	24,230	12,904	11,326
Total general services	174,350	212,980	212,023	957
Planning Commission:				
Salaries	6,200	6,200	4,730	1,470
Code enforcement	38,000	16,871	18,010	(1,139)
Contracted services	2,200	2,200	1,865	335
Planning consultant	15,000	32,000	32,880	(880)
Engineering services	1,850	5,350	5,207	143
Dues and subscriptions	600	1,000	760	240
Mileage	500	500	297	203
Total planning commission	64,350	64,121	63,749	372
Board of appeals:				
Salaries	950	950	860	90
Other	700	970	910	60
Total board of appeals	1,650	1,920	1,770	150
Total general government	481,643	497,834	489,760	8,074
Public Works:				
Clean up days	9,500	7,000	7,000	-
Emergency 911	1,400	-	-	-
Recycling	1,850	1,950	1,510	440
Road maintenance	52,000	51,000	50,966	34
Total public works	64,750	59,950	59,476	474
Community development:				
Community services	36,530	36,530	9,121	27,409
Total expenditures	\$ 582,923	\$ 594,314	\$ 558,357	\$ 35,957

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
FIRE AND EMERGENCY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 220,066	\$ 220,066	\$ 273,855	\$ 53,789
Interest	434	434	674	240
Total revenues	<u>220,500</u>	<u>220,500</u>	<u>274,529</u>	<u>54,029</u>
Expenditures				
Public safety:				
Contracted services	320,000	320,000	280,619	39,381
Miscellaneous	500	500	-	500
Total expenditures	<u>320,500</u>	<u>320,500</u>	<u>280,619</u>	<u>39,881</u>
Revenues over (under) expenditures	(100,000)	(100,000)	(6,090)	93,910
Other financing sources (uses)				
Transfer in	<u>100,000</u>	<u>100,000</u>	<u>90,000</u>	<u>(10,000)</u>
Net change in fund balances	-	-	83,910	83,910
Fund balance, beginning of year	<u>207,563</u>	<u>207,563</u>	<u>207,563</u>	<u>-</u>
Fund balance, end of year	<u>\$ 207,563</u>	<u>\$ 207,563</u>	<u>\$ 291,473</u>	<u>\$ 83,910</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

PARK FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 120,125	\$ 127,125	\$ 127,782	\$ 657
State grant	-	5,000	5,000	-
User fees	75,100	83,100	86,521	3,421
Rental income	600	600	1,301	701
Donations	500	500	720	220
Interest	2,000	2,000	1,092	(908)
Miscellaneous	400	400	270	(130)
Total revenues	198,725	218,725	222,686	3,961
Expenditures				
Recreation and cultural				
Salaries	100,610	109,610	112,306	(2,696)
Payroll taxes	14,500	14,500	8,599	5,901
Pension	3,615	3,615	3,701	(86)
Health insurance	16,000	16,000	16,467	(467)
Operating supplies	8,100	10,100	9,106	994
Softball expenditures	5,000	6,500	8,199	(1,699)
Special events	7,000	7,500	7,461	39
Audit	2,500	2,500	1,350	1,150
Disposal	3,000	3,000	1,683	1,317
Telephone	900	900	2,077	(1,177)
Mileage	1,000	1,000	817	183
Education	4,000	4,000	1,285	2,715
Community promotion	3,000	3,000	481	2,519
Printing	300	300	-	300
Insurance	6,000	6,500	6,383	117
Utilities	2,000	5,000	4,246	754
Repairs	8,500	10,000	8,913	1,087
Miscellaneous	2,650	2,650	-	2,650
Park equipment	10,050	12,050	10,267	1,783
Total expenditures	198,725	218,725	203,341	15,384
Net change in fund balances	-	-	19,345	19,345
Fund balance, beginning of year	147,185	147,185	147,185	-
Fund balance, end of year	<u>\$ 147,185</u>	<u>\$ 147,185</u>	<u>\$ 166,530</u>	<u>\$ 19,345</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 120,000	\$ 258,000	\$ 315,312	\$ 57,312
Interest	325	325	488	163
Total revenues	<u>120,325</u>	<u>258,325</u>	<u>315,800</u>	<u>57,475</u>
Expenditures				
Community development				
Salaries	25,500	25,500	25,500	-
Payroll taxes	1,900	1,900	1,951	(51)
Pension	2,450	2,450	2,550	(100)
Health insurance	14,000	15,000	13,480	1,520
Operating supplies	1,500	4,000	3,786	214
Accounting	500	500	500	-
Contracted services	73,000	205,500	202,076	3,424
Computer maintenance	1,000	2,250	720	1,530
Dues and subscription	300	800	413	387
Mileage and insurance	175	425	171	254
Total expenditures	<u>120,325</u>	<u>258,325</u>	<u>251,147</u>	<u>7,178</u>
Net change in fund balances	-	-	64,653	64,653
Fund balance, beginning of year	<u>18,546</u>	<u>18,546</u>	<u>18,546</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,546</u>	<u>\$ 18,546</u>	<u>\$ 83,199</u>	<u>\$ 64,653</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 240,379	\$ 240,379	\$ 255,592	\$ 15,213
State shared revenue	15,000	15,000	19,346	4,346
Member township fees	12,600	12,600	13,110	510
Charges for services	5,800	5,800	7,209	1,409
Fines	31,951	31,951	32,145	194
Donations	47,528	47,528	45,076	(2,452)
Interest	2,730	2,730	3,319	589
Total revenues	<u>355,988</u>	<u>355,988</u>	<u>375,797</u>	<u>19,809</u>
Expenditures				
Recreation and cultural				
Salaries	162,000	162,000	166,263	(4,263)
Payroll taxes	13,889	13,889	12,796	1,093
Health insurance	2,800	2,800	3,878	(1,078)
Operating supplies	5,000	5,000	8,138	(3,138)
Accounting	1,350	1,350	1,350	-
Contracted services	11,000	11,000	11,706	(706)
Dues and subscription	9,500	9,500	10,152	(652)
Telephone	1,500	1,500	1,228	272
Utilities	8,500	8,500	8,675	(175)
Mileage	500	500	439	61
Insurance	4,200	4,200	6,741	(2,541)
Repairs	6,500	6,500	6,786	(286)
Miscellaneous	791	791	899	(108)
Books, videos	86,458	86,458	44,947	41,511
Equipment	10,000	10,000	9,218	782
Capital outlay	32,000	32,000	6,637	25,363
Total expenditures	<u>355,988</u>	<u>355,988</u>	<u>299,853</u>	<u>56,135</u>
Net change in fund balances	-	-	75,944	75,944
Fund balance, beginning of year	<u>373,971</u>	<u>373,971</u>	<u>373,971</u>	<u>-</u>
Fund balance, end of year	<u>\$ 373,971</u>	<u>\$ 373,971</u>	<u>\$ 449,915</u>	<u>\$ 75,944</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 101,117</u>
Liabilities	
Due to others	<u>\$ 101,117</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Holly, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

REPORTING ENTITY

The Township of Holly (the "Township") operates under a Township board with five members and provides general government services to its residents.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and any component units, entities for which it has operational or financial relationships. The Township has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable. (The Township has no business type activities or component units).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Township. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The *Fire and Emergency Fund* accounts for the activities of the government's fire and emergency services.

The *Park Fund* accounts for the activities of the government's various parks.

The *Building Department Fund* is used to account for the activities of the government's building/inspections department.

The *Library Fund* is used to account for the activities of the government's library.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

The *Capital Projects Fund* is used to account for financing and construction of major equipment, building and improvements.

Additionally, the Township reports the following fund type:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis which is consistent with generally accepted accounting principles.

Budget amounts are as originally adopted or as amended by the Township Board in accordance with state and local laws. The Township's legal level of budgetary control is at the function level, which is the Township's legal level of budgetary control. Any revisions must be approved by the Township Board.

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

CASH EQUIVALENTS

Cash equivalents are all highly liquid investments such as bank savings accounts and certificates of deposits with an original maturity of three months or less. Other investments, if any, with an original maturity of three months or less are also considered cash equivalents.

Michigan law authorizes the Township to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

INVESTMENTS

Investments, if any, are stated at fair value.

RECEIVABLES/DUE FROM OTHER GOVERNMENTS

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided because collection is not considered doubtful and any uncollectible amounts would be immaterial.

DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables, if any, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment are reported in the governmental type activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements and buildings	20 - 50
Machinery and equipment	7 - 10

FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Designated fund balances, if applicable, represent tentative plans for future use of financial resources. Reserved fund balance for governmental funds, if any, represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

2. DEPOSITS AND INVESTMENTS

The carrying amounts of the Township's deposits and investments with financial institutions at June 30, 2004 was \$1,543,901 and the bank balance was \$1,619,104. The bank balance is categorized as follows:

Insured by the FDIC	\$ 100,000
Uncollateralized and uninsured	<u>1,519,104</u>
Total bank balance	<u>\$ 1,619,104</u>

The Township's deposits are in accordance with statutory authority.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 397,336	\$ -	\$ -	\$ 397,336
Capital assets being depreciated:				
Buildings	1,060,022	-	-	1,060,022
Machinery and equipment	244,181	12,904	-	257,085
Office furniture & equip.	219,998	6,637	-	226,635
Total capital assets being depreciated	<u>1,524,201</u>	<u>19,541</u>	<u>-</u>	<u>1,543,742</u>
Less accumulated depreciation				
Buildings	(787,278)	(12,440)	-	(799,718)
Machinery and equipment	(217,842)	(5,609)	-	(223,451)
Office furniture & equip.	<u>(198,578)</u>	<u>(4,518)</u>	<u>-</u>	<u>(203,096)</u>
Total accumulated depreciation	<u>(1,203,698)</u>	<u>(22,567)</u>	<u>-</u>	<u>(1,226,265)</u>
Capital assets being depreciated, net	<u>320,503</u>	<u>(3,026)</u>	<u>-</u>	<u>317,477</u>
Governmental activities capital assets, net	<u>\$ 717,839</u>	<u>\$ (3,026)</u>	<u>\$ -</u>	<u>\$ 714,813</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,860
Public works	4,319
Recreation and cultural	<u>13,388</u>
Total depreciation expense – governmental activities	<u>\$ 22,567</u>

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1 on the taxable assessed value listed as of the prior December 31. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Oakland County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Oakland County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2003 totaled \$263,181,560 representing 50% of estimated actual value. The tax rates assessed for the year ended June 30, 2004 were:

	<u>Per \$1,000 valuation</u>
General operations	\$1.00
Fire and Emergency	\$1.50 (real property only)
Parks	\$0.4917
Library	\$0.9843

Property taxes levied in December are recognized as revenue in the current fiscal year. Taxes collected on behalf of the school districts and Oakland County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

6. PENSION PLAN

The Holly Township Group Pension Plan is a defined contribution pension plan, held in trust by a third party administrator, Manufacturers Life Insurance Company (in accordance with the provisions of the Manulife Financial Defined Contribution Pension Plan for Governmental Employees).

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

Those eligible for the Plan include all elected officials, Parks Director, Building Administrator and all appointed officials working 35 hours or more per week. The Township contributes 10% of a participants compensation. The participants may make voluntary, after-tax contributions from 1% to 10% of their compensation. Total contributions by the Township for the year ended June 30, 2004 were \$18,791.

Benefits attributable to all contributions vest immediately. Investment of plan assets is the responsibility of the participant (i.e., self-directed investment of individual accounts by participants).

7. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2004, is as follows:

Transfer to:	Transfer From: General Fund
Fire & Emergency Fund	\$ 90,000
Capital Projects Fund	<u>50,000</u>
Total	<u>\$ 140,000</u>

The transfer from the General Fund to the Fire & Emergency Fund is for the purpose of funding current year operations not funded by property tax revenues.

The transfer from the General Fund to the Capital Projects Fund is for the purpose of setting aside money for the future town hall project.

8. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended June 30, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

Interpretation

◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balances of governmental funds as of 6/30/03	\$ 1,297,511
Add: governmental capital assets, including general fixed assets, as of 6/30/03	 1,921,537
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	 <u>(1,203,698)</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 2,015,350</u>

SUPPLEMENTAL INFORMATION

TOWNSHIP OF HOLLY
ALL AGENCY FUNDS
COMBINING BALANCE SHEET
June 30, 2004

	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 97,067</u>	<u>\$ 4,050</u>	<u>\$ 101,117</u>
Liabilities			
Due to others	<u>\$ 97,067</u>	<u>\$ 4,050</u>	<u>\$ 101,117</u>

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 30, 2004

To the Township Board
Township of Holly
Holly, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Township of Holly* as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated November 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Township of Holly's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Township of Holly's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the Organization, the Township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson